



Seek independent advice

Securing your financial future is now more important than ever. We are continually being told about the pressures on state benefits, particularly pensions, as the welfare state has to adapt to an expanding and ageing population. As a result, more responsibility is being placed on us, as individuals, to make the most of our own savings and investments and prepare for our own futures.

At the same time, however, making these decisions is becoming ever more complicated. There are hundreds of providers offering thousands of products, all with different benefits for different needs at different prices.

As independent financial advisers, we look at the whole market to find out who is offering what products and how the different options can meet different individual circumstances. We are registered with the Financial Services Authority who monitor the way in which we give advice and, being independent, we are not limited to just one or small handful of providers. We can therefore seek out the most suitable products to match your particular circumstances and thereby help you meet your goals.

If you have any questions about your financial situation, would like a review of your options or would simply like a review of your options so you can consider what to do next, please do not hesitate to contact us for an initial consultation.



Welcome to the first edition of our newsletter which aims to provide updates on developments in the world of financial services.

If you have any questions about the issues raised in this issue, please do not hesitate to contact me.



What does it mean?

What does our new coalition Government mean for your financial plans? The UK economy is running an unprecedented deficit so we always knew that somewhere, one or two taxes would rise. In the spirit of compromise, there has been no imminent rise in the Inheritance Tax threshold and the priority instead appears to be an increase in personal income tax allowances. Alongside, however, the Chancellor has increased the rate of Capital Gains Tax for higher rate tax payers and given notice of a rise in Value Added Tax from next year. This comes alongside some significant cuts in public spending, the full details of which are only just emerging. Time to start a review of your plans to make sure they can adapt.

Contact us:-
Teresa Owen Cert CII (MP)
Sunday Financial Group
1st & 2nd Floor
49 Market Place
Warminster
BA12 9AZ
Tel: 01985 211 444
Mob: 07877 825 483
Email: teresa.owen@sundayfinancialgroup.com

A new incentive to save

In the UK, we are now living longer and having fewer children. As a result, workplace pension schemes have come under increasing pressure as they have to cover retirees for longer on less income. At the same time, people just don't seem to be saving enough for their own retirement so the Government is getting worried about its own ability to provide state payouts.

Consequently, the Government has decided it is time to try and persuade you to start saving towards a private pension. The latest measure, the 'National Employment Savings Trust' (NEST), is set for implementation from 2012 and designed to encourage both a greater level of saving generally and also open up pension saving to individuals who do not currently have a workplace scheme.

Therefore, from 2012, all eligible workers who are not already in a workplace scheme will be automatically enrolled either into their employer's scheme or into NEST. You could opt out from this if you want to but it is your responsibility to do so and you would then miss out on some of the incentives which the Government has attached to them.

NEST is aimed primarily at low-to-moderate income earners aged from 22 right up to state-pension age. As an employee, you must contribute a minimum of 4% of your earnings (subject to limits), meaning your take-home pay will reduce. However, as an incentive, you will receive a corresponding 3% contribution from your employer and a further 1% in tax relief from the Government, thereby doubling your contribution.

However, a choice of branded pension savings accounts will be available alongside a default account for those who do not wish to make an investment choice. Indeed, the Pensions Act 2008 obliges all employers to enrol eligible employees into a good-quality workplace pension scheme, so NEST could provide a practical solution for both you and your employer. Whether they will be the most suitable pension arrangement for you as an individual depends on your own personal circumstances, but it is worth investigating the options and getting ready for the opportunities which lie ahead.

There are still some unanswered questions about how NEST will ultimately look. It is intended to be simple, inexpensive and run in the best interests of members; however, the structure so far appears quite complicated and information is relatively scarce.



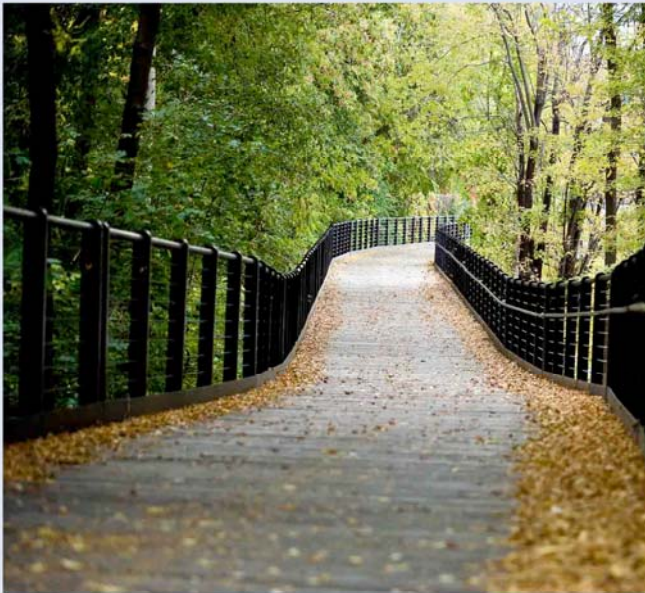
New ISA limits

In the 2008 Budget, the Chancellor announced some changes to the ISA rules and limits. This has now been followed in the 2009 Budget by further increases to the limits which, from 5 April (ie: tax year 2010/11), apply to everyone.

Under the simplified rules, there are now just two types of ISA - the cash ISA and the stocks and shares ISA - and your overall allowance for both in 2010/11 is £10,200. Within this, the limit for cash ISAs - or for the cash element within a stocks and shares ISA - is £5,100. However, there is also some flexibility. You can, for example, now put the maximum £5,100 in a cash account and £5,100 in a stocks and shares account. Alternatively, if you place just £2,000 in cash, you can use the entire remaining balance - £8,200 - to invest in stocks and shares. If you don't need cash at all, you can put your full allowance into stocks and shares.

You can also transfer any existing cash ISA holdings to a stocks and shares ISA without affecting your current tax year allowance. So, if you have £10,000 already sitting in existing cash ISA plans then this amount can be moved to a stocks and shares ISA whenever you think the time is right.

You have until 5 April 2011 to make the decision over how and where to invest your £10,200 before you lose it. However, the sooner you invest, the sooner you start earning the tax benefits. Now might be time for all of us to start planning where we are going to put it.



The best of the bunch

There are now over 2,000 UK domiciled funds available to investors, plus an array of offshore funds. Few of these funds' managers are going to deliver good returns consistently so how do you increase your chances of choosing the best ones?

Multi-managers are experts in fund selection. They research the whole market and can also uncover hidden gems that may not even be available to private investors. They then meet the fund managers individually and quiz them on how they intend to achieve long-term performance. Multi-managers will also be experts in combining different funds together to minimise risk and maximise returns. The two main types are fund of funds and manager of managers. Fund of funds managers build portfolios based on their research and will then buy or sell funds based on changing performance potential and market conditions. Typically these portfolios will be split into cautious, balanced or aggressive, with different weightings in different assets. Manager of managers funds invest allocations of a portfolio with pre-selected managers and give those manager specific pots of money, along with specific guidelines as to how that money should be run to meet their objectives.

Multi-manager funds can be a useful one-stop-shop solution as a 'core' investment where they can form the bedrock of your wider portfolio. Alternatively, for beginners or the more cautious investor, they are an ideal route into the wider world of market and equity investment.

If in doubt, disclose

When taking the decision to buy any type of protection policy, you do so to gain the peace of mind that, should something happen, your income or your family will be covered. However, we are continually hearing that policy providers find ways to turn down claims - and always this happens just when the people concerned needed the money most.

So why would a provider turn down a claim? The primary reason will be that the insurer finds some incorrect, missing or incomplete information on the original application forms. This is called 'non-disclosure' and examples include details such as claiming to be a non-smoker, reducing your weight significantly, not checking the status of a dangerous hobby (sailing, skiing or maybe even horseriding) or simply not owning up to an existing medical condition, even if you thought at the time it was irrelevant. If such details are uncovered, they can make any policy you thought you bought in good faith, completely invalid.

For this reason, particularly for any sickness related plans (eg: critical illness or income protection), it is sensible to seek Independent advice. Such plans may all carry the same name but the conditions they cover and the exact definitions they use for those conditions can vary widely. Covering yourself against any unforeseen circumstance can appear to be an expensive business when you first start the conversation. It is therefore absolutely vital that you get the type of cover right - and don't give your insurer any reason to be able to get out of your claim should you ever have reason to need it.



Little and often

In the world of investment, timing is everything. However, despite claims to the contrary, no one can second-guess the market. There is a way round this though. By saving regularly, investors can benefit from what is called 'pound cost averaging'. It mitigates the risk of buying all your investment at a single price and instead, means lots of smaller sums are invested at a variety of different prices. In a rising market, regular savings would underperform a lump sum as the later investments would miss out on the early growth. However, in a volatile or falling market, later investments would buy in at lower or alternating prices and thereby offer more growth as the market returns to higher levels.

Funding a decent income

Whenever you start thinking about retirement planning, a good place to start is with how much income you think you will need. Generally, few people need as much income when retired as they did when they were working – the mortgage may be paid off, children will have left home and day-to-day expenses should have fallen. However, with the increased leisure time, you may have some ambitious plans for travel or family, and all these need to be considered so you can set some realistic expectations.

Once your own figure has been determined, you can begin to work out where it will come from. For example, the state pension is £97.65 a week (for 2010/11), plus there may be money coming in from ISA investments, rent from property or even some continued paid employment. Moving to a smaller main residence could also release some capital – although house prices can go down as we have seen recently, so it might be a risky thing to depend on if that is all that you have.

Once completed, however, you should have a much better idea of what income you need to generate from pension savings. You may already have started through a workplace or personal pension, and this should be taken into account, but it is likely you will still need to supplement it, and build it further over the years you have left. To give you an idea, at the best current annuity rates (April 2010), given interest rates are so low, £10,000 of annual income will cost a male aged 65 over £150,000 - with no guarantees. If you are female or would like some inflation protection - or simply wish to retire earlier than that - the cost is even higher. The amount you need to save could therefore be considerable.

Thanks to changes in 2006, you can now invest up to 100% of your annual earnings, subject to a maximum of £255,000 (for 2010/11), with various amounts of tax relief available on the contribution, depending on how much you earn - for example, if you earn over £150,000, beware as the Budget has just placed stricter limits on you. There is also a maximum limit on the overall size of the pension portfolio you can generate – although at £1.8m this tax year, there are only a few who are affected.

However, it does not all have to go into a pension plan. If you need or would prefer some flexibility over access to your savings, ISAs can be a useful addition to your plans, subject to your personal tax position.

Sunday Independent Financial Advisors Ltd is authorised and regulated by the Financial Services Authority. Sunday Financial Group is a trading style of Sunday Independent Financial Advisors Ltd.

Registered Office: 1st & 2nd Floor, 49 Market Place, Warminster
Wiltshire BA12 9AZ Tel: 01985 211 444

The contents of this newsletter do not constitute advice and should not be taken as a recommendation to purchase or invest in any of the products mentioned. Before taking any decisions, we suggest you seek advice from a professional financial adviser.

